

## Reply Comments

E-Rate Provider Services, LLC. is a consulting firm, specializing in assisting service providers in the E-Rate Program.

E-Rate Provider Services submits these comments in response to the filing of Funds for Learning, dated 6/14/2013, regarding the Funds for Learning E-Rate 2.0 Proposal for revising the E-Rate fund, and the filing of Philip B. Gieseler, dated 6/10/2013. E-Rate Provider Services notes that while neither filing referenced the other, the two, taken together, agree on some basic recommendations, including the need for more funding, a call for a return to technological neutrality, and the need for some type of per applicant funding cap. Please note that E-Rate Provider Services confines its comments to high-level, summary bullets, saving in-depth commentary for the upcoming NPRM it is widely anticipated the FCC will release shortly. E-Rate Provider Services provides this feedback in order assist the FCC in setting priorities for the upcoming NPRM, which will play a foundational role in managing the inevitable changes to the program that must occur.

## Introduction

E-Rate Provider Services comments that absent either a major revision to the structure of the program or a significant infusion of funding, over the next few years, two things will happen:

First, the E-Rate Program will become a Priority 1 only program. Priority 1 requests continue to rise, rollover money will disappear altogether, and unless the FCC acts decisively, funding for Priority 2 will be permanently exhausted.

Second, there will no longer be enough money to fund all of Priority 1, which will force the FCC to either pro-rate Priority 1, dropping all applicants' discounts to match the demand, or adopt a threshold mechanism for Priority 1. In the second case, the denial threshold will continue to rise, more and more applicants will be denied funding, until the situation becomes critical when statewide networks begin to lose their funding.

There are a variety of contributing factors to the continuing rise of Priority 1 demand, including:

- technological advances in hosted services;
- offerings which include greater bandwidth;
- proliferation of wireless devices, and commensurate bandwidth requirements;
- the availability of high-bandwidth services to remote areas.

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In short, the program is running short of funds due to its success in fulfilling its mission: as more schools and libraries are connected, more funding is required to continue to fund those connections.

## Action Required

The E-Rate Program has now reached a critical point where the FCC must decide, (through action or inaction), to embrace one of the funding shortfall scenarios illustrated above, or to fundamentally change the program.

E-Rate Provider Services comments that there are only three basic ways to change the program:

- manage the shortfall differently;
- add more funds to the program;
- a combination of the two;

E-Rate Provider Services therefore recommends the FCC strongly consider implementing the revised funding framework contained in the Funds for Learning, E-Rate 2.0 Proposal, which proposes a combination of shortfall management and adding funds to create a scalable solution to the issue at hand.

## Proposal Features

E-Rate Provider Services comments that the FFL proposal has the following cardinal features:

- It establishes a per pupil cap on the amount of pre-discount funding an entity can receive;
- It eliminates funding priorities;
- It adjusts the per pupil cap on an annual basis based on the overall funding cap.

E-Rate Provider Services comments that the first two bullets are consistent with Phil Gieseler's comments concerning funding caps and technological neutrality.

## Proposal Strengths

E-Rate Provider Services comments that, on balance, the FFL proposal has the following strengths:

- It solves the problem in both the short and long term;
- It spreads the burden in a fair and predictable manner;
- It ensures that all applicants have access to some funding.
- By eliminating funding priorities, it adopts a stronger position of technological neutrality;
- By simplifying the funding process, it should reduce administrative overhead.

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## Areas of Improvement

E-Rate Provider Services comments that, on balance, there are weaknesses within the proposal that should be addressed, including:

- Counting students who attend multiple schools;
- Statewide networks;
- Public libraries.

To this end, E-Rate Provider Services proposes the following adjustments to the FFL proposal.

- Count students that attend two schools as full participants in each school. This will eliminate competition between the different schools, but will dilute the overall funding pool a small amount. It will create the illusion that there are more students than there actually are, but E-Rate Provider Services comments that this is a preferable outcome to having various worthy organizations in contention to count the same students.
- Create a statewide network set-aside of approximately \$200,000,000.00. E-Rate Provider Services strongly believes that statewide networks, such as CENIC (California) or CEN (Connecticut), are highly cost-effective uses of program funds, represent one of the best ways to deliver the high-speed services President Obama's administration has called for, and should be encouraged in every way possible.
- Treat public libraries as small schools, which would set a minimum funding amount not linked to student population.

## Technological Neutrality

E-Rate Provider Services provides a more detailed comment regarding why removing Funding Priorities is beneficial to applicants and consistent with the FCC's original stated goal of providing a base of technological neutrality and the greatest amount of applicant choice.

As an illustrative case, E-Rate Provider Services uses wireless technologies. If a school of one thousand children and one hundred faculty and staff wishes to purchase wireless capability for their school, they have three choices:

1. Purchase wireless access points (WAPs) and the requisite cabling and other network infrastructure;
2. Contract for a cellular data plan service.
3. Contract for a managed wi-fi service;

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## Option 1: Priority 2 Wireless

The cost case for the first option, using a benchmark of one WAP per 20 students, yields a figure of fifty WAPs one Wireless LAN Controller, three PoE network switches, with cabling, installed, tested and documented, yields a one-time cost of (approximately) \$100,000.00, plus \$10,000.00 per year for maintenance costs, plus \$10,000 per year for internet access. These costs are estimates, based on \$1,000.00 per WAP, \$20,000.00 for a Wireless LAN Controller, \$2,000.00 per switch, \$300.00 per cabling drop, and \$200.00 per device for ongoing maintenance. Please note that these costs do not take into account applicant staff time to manage and maintain the network.

**Total five year cost, \$180,000.00.**

**Fundability: Absent major program changes, Priority 2 is unlikely to be funded.**

## Option 2: Cellular Data Plans

The second option, which E-Rate Provider Services has commented on in the past, is readily available, growing in popularity, and costs approximately \$40.00 per user per month. Factoring in a cost-allocation of 50% to reflect off-site usage, which still yields a cost to the fund of \$20.00 per user per month, which would cost the fund, in the above example, \$22,000.00 per month, or \$264,000.00 per year.

**Total five year cost, \$1,320,000.00.**

**Fundability: Priority 1 eligible, many examples currently being funded.**

## Option 3: Managed Wi-Fi Service

A managed wi-fi offering, where the provider installs WAPs on the customer premises, including cabling and switching, and retains title to the equipment. And the end of the contract term, the provider deinstalls the WAPs and switches, and abandons the cabling in place.

The third option is commercially available, at a price point of approximately \$25.00 per user per year. In the above example, the total cost to the program would \$27,500.00 / year, and yet it is not eligible because the provider-owned equipment in question would not pass the Tennessee Test, and because it is provider-owned, it would not qualify as a Priority 2 offering.

**Total five year cost, \$137,500.00**

**Fundability: Ineligible for E-Rate funding under current program rules.**

E-Rate Provider Services cites the above section on technological neutrality as an illustration of how the rules of the program are stifling competition and innovation, and having the opposite effect of steering customers toward less cost-effective solutions. The removal of the funding priority system would restore the technology choices for an applicant back to the applicant, where, E-Rate Provider Services comments, they are best made.

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## Summary

E-Rate Provider Services concludes by commenting that it supports the Funds for Learning, E-Rate 2.0 proposal as a well-reasoned, well-researched and serious document that provides a working blueprint for the E-Rate Program, going forward. It accomplishes two important goals:

### **It creates a framework that is sustainable and scalable.**

The framework adapts to varying amounts of funding, scaling up or down easily without needing systemic adjustments. It ensures that the program never again faces a decision point of this existential magnitude.

### **It creates a framework that is flexible, and fair.**

By putting an applicant funding cap in place, the framework guarantees all applicants can receive funding, and that they have ability to make more choices for how to spend the funds they do get.

E-Rate Provider Services comments that the two goals, detailed above, will bring the fund back to a position of long-term health, and strongly urges the FCC to consider its adoption.



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